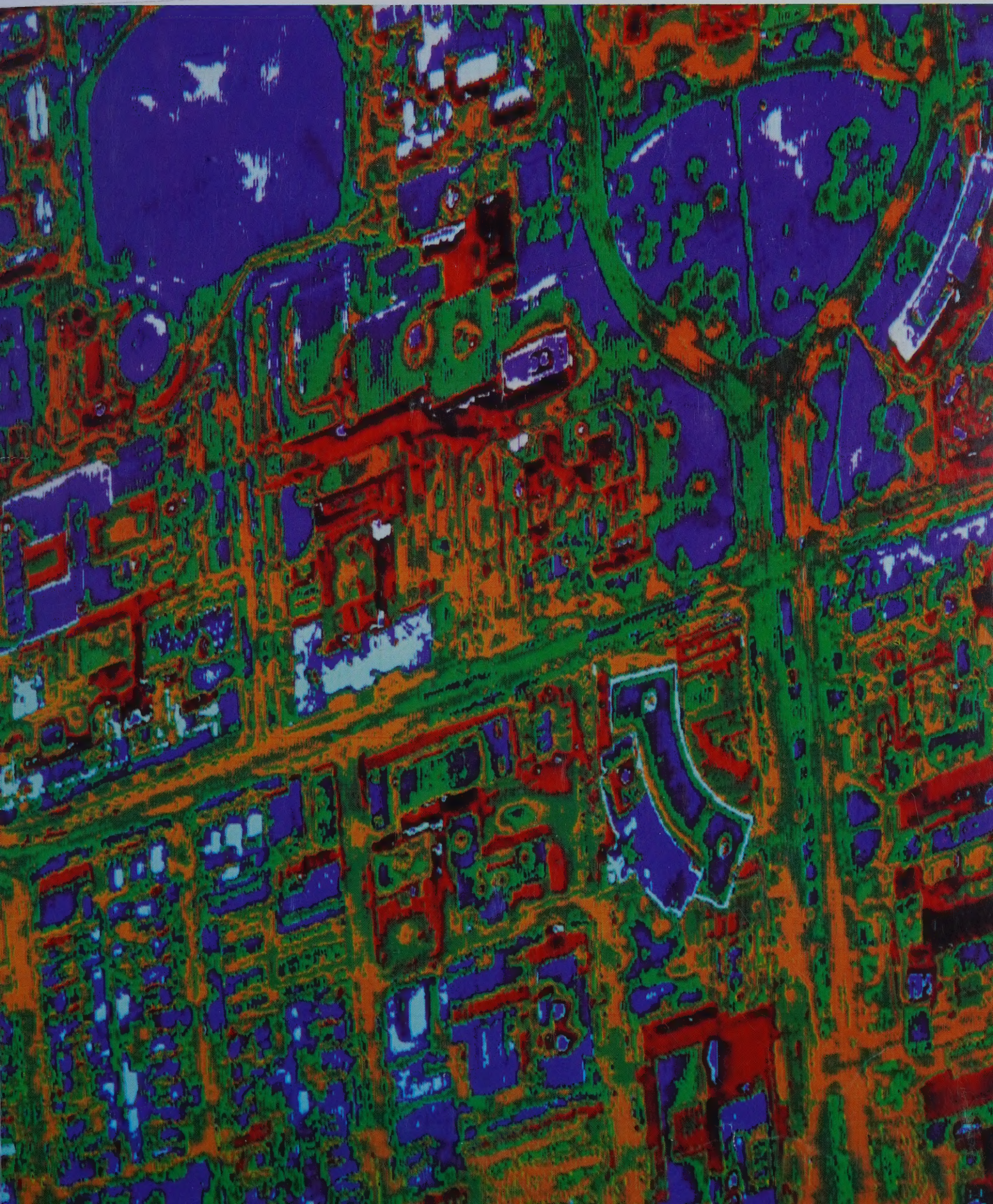


AR30

*100/100*







*Cover:* A computer-processed thermal image of a section of midtown Toronto, showing in red the "hot spots" from which the most heat is escaping to the atmosphere.

*Above:* A conventional aerial photograph of the area shown on the cover. College Street slopes across from upper right to lower left, while University Avenue strikes up the right side to Queen's Park and the provincial government buildings, top right.

Photograph and thermal image by courtesy of the Ontario Ministry of Natural Resources, Centre for Remote Sensing.

## Energy Conservation

A much more efficient use of energy is essential with the passing of the era of plentiful, low-cost supplies. The cover illustration indicates the scope for energy conservation in one small commercial and residential area.

A substantial reduction in its own use of energy has already been achieved by BP Canada and the Company is continually seeking means whereby further savings can be made.

- At BP's refineries, where energy consumption has been reduced by 19% since 1973, all new process equipment incorporates rigorous conservation features in its design.
- In marketing, conservation measures have included down-sizing throughout the automobile fleet. At our service stations, photo-electric cells will ensure that the floodlights operate only when daylight is insufficient.

- To encourage research into the more efficient use of energy, the Company has launched the BP Canada Energy Research Prize, which is described on page 12.
- When the Federal Government introduced its programme of grants to homeowners to help pay insulation costs, BP arranged for its employees to have "residential energy audits" conducted.

The prospect of continuing scarcity and rising prices makes energy conservation vital; BP Canada, as both a provider and a user of energy, will continue to play its full part.



# Highlights for the year 1979

BP Canada Inc.

with 1978 figures shown on a comparable basis

		1979 (thousands of \$ unless otherwise stated)	1978	% change
<b>Financial</b>	Net income for the year	<b>63,056</b>	32,710	+ 92.8
	Net income per share (dollars)	<b>2.97</b>	1.55	+ 91.6
	Return on average capital employed (%)	<b>13.02</b>	7.98	+ 63.2
	Shareholders' equity at end of year	<b>408,911</b>	358,773	+ 14.0
	Revenue – sales and services	<b>999,380</b>	842,291	+ 18.7
	Total funds derived from operations	<b>108,002</b>	73,216	+ 47.5
	Expenditures on property, plant, equipment and research costs	<b>98,523</b>	62,857	+ 56.7
		(thousands of cubic metres per day unless otherwise stated)		
<b>Operating</b>	Refined product sales	<b>17.6</b> (110,874 barrels)	17.6 (111,011 barrels)	– 0.1
	Crude oil processed at refineries	<b>18.2</b> (114,478 barrels)	17.9 (112,778 barrels)	+ 1.7
	Gross sales of crude oil and natural gas liquids	<b>3.9</b> (24,335 barrels)	3.3 (20,464 barrels)	+ 18.9
	Gross sales of natural gas (million cubic metres per day)	<b>3.1</b> (110, 492 thousand cubic feet)	3.1 (109,535 thousand cubic feet)	+ 0.9

Metric measurements are explained on the inside back cover.

The Company's capital stock is listed for trading on the Montreal, Toronto and Vancouver stock exchanges. Cash dividends paid and the high and low prices of the Company's common shares on the Toronto Stock Exchange for the last two years are shown in the table.

	1979			1978		
	Dividends paid	High	Low	Dividends paid	High	Low
First quarter	<b>13¢</b>	<b>\$25¼</b>	<b>\$20¼</b>	12¢	\$17¾	\$14
Second quarter	<b>13</b>	<b>29½</b>	<b>22⅞</b>	12	16⅞	12⅞
Third quarter	<b>16</b>	<b>42</b>	<b>25¾</b>	12	19	14⅞
Fourth quarter	<b>16</b>	<b>41¾</b>	<b>32</b>	13	21½	16¾
Year	<b>58</b>	<b>42</b>	<b>20¼</b>	49	21½	12⅞

Unless otherwise stated, all dollar amounts shown in this report are Canadian.

The Annual and Special Meeting of shareholders of BP Canada Inc. will be held at 11:00 a.m., Friday, 25th April, 1980 in the Hilton Harbour Castle Hotel, Toronto.

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BP Canada  
1245, rue Sherbrooke ouest  
Montréal, Québec H3G 1G7



## Chairman's Report to the Shareholders



Despite tight crude oil supplies and some operational problems, which resulted in product sales being slightly below the levels achieved in 1978, and the regrettable delays in bringing the Sukunka-Bullmoose and Stolberg natural gas fields into production, net income for the year increased by some 93 per cent to \$63.1 million. This profit has been computed on a successful efforts method of accounting for exploration expenditures, which was adopted retroactively in the fourth quarter of 1979. Had we continued to employ the full cost method the net income reported would have been \$65.7 million.

On the conventional historical cost basis the return on average capital employed is 13.0 per cent. After adjusting for changes in the general purchasing power of money, the rate of return drops to 7.0 per cent. Both these numbers are modest having regard to the high risks involved in our business. Equally, it is essential that real earnings be maintained at a high level if we are to have any chance of meeting the large capital demands which energy-related projects of the 80's will require. Last year we invested \$98.5 million, including \$7.3 mil-

lion contributed by others to earn an interest in the Company's acreage in the Labrador Sea, of which some 86 per cent was spent on exploration and development of natural resources.

The increase in net income was due in large part to the greatly improved results obtained from our refining and marketing operations, as margins improved from the extremely low levels experienced in 1978. Upstream earnings were also higher, mainly as a result of a 19 per cent increase in the production of crude oil and natural gas liquids: sales of natural gas were restricted by demand limitations and rose only slightly.

Although Iranian crude oil exports resumed last March, albeit at levels well below those ruling prior to the revolution, the repercussions of the supply disruption continued to be felt throughout the year as prices spiralled upwards and supplies remained very tight. The Organization of Petroleum Exporting Countries (OPEC) attempted to restore some order to the pricing system at its meeting in Caracas, Venezuela, in December and to formalize the increases already implemented into a new pricing structure. Unfortunately, the Caracas meeting was inconclusive and the crude oil pricing picture remains as confused as ever, with a continuation of the "leap-frogging" which bedevilled 1979 coupled with the imposition of special premia and other devices designed to swell oil producing countries' revenues.

Crude oil supplies available to the BP Group were cut back further by the nationalization of its assets in Nigeria and by reductions in contractual sales volumes imposed by some producing countries. Consequently, it was forced to impose additional restrictions on sales to its own customers. BP Canada, however, was successful in maintaining supplies to its refineries, largely by obtaining United States and offshore crude oil through exchanges to replace the crude oil which it had expected to be able to buy from BP Group sources.

Despite the extreme urgency of the problem, which events on the international oil scene during 1979 served to underline, Canada is still far from establishing consistent policies for ensuring secure oil supplies. Indeed, some essential components, notably the vexed question of domestic oil prices and



revenue sharing, are now likely to be even more difficult to resolve. Currently, Canadian crude oil prices are more than \$20 per barrel below international prices and, unless domestic prices are increased promptly and substantially, the funds required to find and develop new reserves will not be generated and consumers will have little or no incentive to conserve. At the time of writing it remains to be seen what steps the newly elected Federal Government will take to bring Canadian prices closer to world levels and, equally important, how the resultant increases will be apportioned.

There is no doubt that given appropriate policies – higher crude oil prices, a fair and stable tax and royalty system which will allow adequate netbacks to the industry, a commitment to allow companies to reap the fruits of their endeavours, and the encouragement of fuels substitution and energy conservation – Canada can again become self-sufficient in oil. Certainly some very encouraging discoveries have been made in the frontier regions and work is going ahead on the development of the tar sands and heavy oil deposits. However, time is short: even if it were possible to begin an all-out effort today, and making some quite optimistic assumptions, Canada is unlikely to achieve self-sufficiency in the 1980's. Meanwhile, we are faced with the virtual certainty that oil supplies will become scarcer and more expensive throughout the decade, with severe economic consequences. One way in which the impact of an otherwise ever-growing drain on Canada's balance of payments could be mitigated, would be to allow increased exports of natural gas. While the National Energy Board has made a move in this direction, it is to be hoped that, in view of the industry's continuing success in finding new reserves of gas, further exports will be authorized without undue delay.

BP Canada can claim considerable success in its own efforts to discover natural gas and will shortly be reaping the benefits of its arduous exploration and development efforts in northeastern British Columbia over the past 24 years. Gas from the Sukunka-Bullmoose area has started to flow to market. Gas discovered by BP at Stolberg in Alberta over the past 20 years will be brought on stream later this year. These two

developments will give an appreciable boost to your Company's earnings in the current year.

Pre-development work is continuing at the Sukunka metallurgical coal mine; if sales contracts for the coal can be negotiated, full-scale development will commence in July this year. However, despite a major sales effort in several countries we have not, so far, been successful in obtaining firm purchase commitments from prospective customers.

We are continuing to obtain valuable information from our pilot plant at Marguerite Lake, in the Cold Lake region of Alberta, which is recovering bitumen from the oil sands by in-situ production techniques. We are now studying the feasibility of building a small-scale commercial oil sands project using cyclic steam stimulation.

Our third exploration well in the Labrador Sea disappointingly turned out to be a dry hole. Nevertheless, we continue to believe that our acreage has good potential. However, the need to re-evaluate our acreage in the light of the promising Hibernia discovery, coupled with the impending reduction in super-depletion and the continuing uncertainty over jurisdiction, have led us to the conclusion that we should confine our operations during the current year to an extensive seismic survey with the prospect of resuming drilling in 1981.

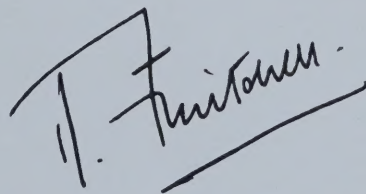
In January it was announced that the Company's executive office would be moving, later this year, from Montreal. After extensive analysis and consideration, it was concluded by the Board that the long-term interests of the Company would best be served by moving the executive office to Toronto, a location more central to BP Canada's country-wide activities. Over 70 per cent of the Company's assets are in Ontario and the Western Provinces, where in 1980 we shall be making some 90 per cent of our capital expenditures.

Some 200 of the Company's staff are directly affected by this decision and I would like to express here my deep appreciation to them and their families for their forbearance and understanding, and to thank all our staff for their continued devotion and loyalty through what, again, was often a difficult and frustrating year.

The stock dividend option which was offered to shareholders in 1979 apparently met with approval, some 900 shareholders, or 15 per cent of the total, having elected to receive their dividends in the form of additional BP Canada shares.

Sir Eric Drake and Dr. F.A. McKinnon will not be standing for re-election to the board at this year's Annual Meeting. Mr. P.I. Walters and Dr. E.W. Best have been nominated to fill these vacancies. Mr. Walters is now a Deputy Chairman of The British Petroleum Company in London and was a director of BP Canada from 1972 to 1976. Dr. Best started with BP in Calgary in 1955 as a geologist and, since 1973, has been Vice-President, Exploration and Production.

In conclusion I would like, on your behalf, to thank all the directors for their support, sound advice and hard work in the furtherance of BP Canada's interests. I would, particularly, like to pay tribute to the two retiring directors. Sir Eric Drake joined our Board in 1976 after retiring as Chairman of British Petroleum, with which he had been associated for over 40 years. Dr. McKinnon, after service as an exploration geologist with two other companies, joined Triad Oil in Calgary in 1958 and retired from BP Canada as Senior Vice-President in 1977. We shall miss them both.



D.F. Mitchell  
Chairman and Chief Executive Officer

March 7, 1980



# Exploration and Production

In 1979, a year of continuing achievement for BP in its exploration and production activities, the Company's investment in the natural resources sector increased to a new high level of \$84.6 million.

Sales volumes of both oil and gas rose from 1978 levels, and net dollar sales from these activities increased by some 19.1 per cent. The Company's crude oil reserves at year end, after allowing for 1979 production, were some 1.7 per cent higher than at the end of 1978, thus reversing the trend of recent years; gas reserves also increased, by 3.5 per cent. The pilot project for heavy oil production near Cold Lake, Alberta, continued to operate successfully; pre-development work is nearing completion at the planned coking-coal mine near Chetwynd, British Columbia; and an active oil and gas exploration and development programme was maintained in the Western Canada Basin and certain frontier areas of Canada.

The Company completed the laying of field pipelines and plant facilities for the Sukunka-Bullmoose gas properties in northeastern British Columbia, after

24 years of exploration and development in the area. Production commenced in early 1980.

Nearby, at West Sukunka, another major BP gas discovery was made.

At West Pembina, in central Alberta, the Company participated in two new oil discoveries and in developing oil reserves found in 1978.

## Oil and Gas: Drilling and Production

BP participated in the drilling of 58 exploratory wells during the year, resulting in 30 gas discoveries and 4 oil discoveries. Of the 185 development wells in which the Company also participated, 90 were gas wells and 72 oil wells.

Gross production of crude oil and natural gas liquids rose by 18.9 per cent over the previous year, to an average of 3,869 cubic metres per day. Higher allowable production in Alberta and the start of West Pembina production more than offset the decline in production from mature fields in Alberta, Saskatchewan and British Columbia.

Natural gas production, at an average of 3,112,600 cubic metres per day, was 0.9 per cent higher than in 1978. Nominations in Alberta were, however, still some 12 per cent below contracted volumes; they are expected to be 8 to 10 per cent below in 1980.

Sulphur sales declined by 23.6 per cent to an average of 194 tonnes per day. The reduction resulted from pre-selling of 1979 production in order to meet 1978 commitments. However, the average selling price rose from the 1978 level of \$14.30 per tonne to \$18.28 per tonne.

## Alberta

In the Deep Basin area of Grande Prairie, where BP holds an average interest of approximately 20 per cent in 74,816 hectares of leases, 18 exploratory wells were drilled in 1979. All wells were cased for further evaluation. Twelve of these wells were subsequently completed as gas wells, of which one will be tested for possible oil production. Three of the exploratory wells have not yet been evaluated. A vigorous drilling and testing programme is planned for 1980.



The Sukunka gas plant processes gas from BP's important discoveries in the foothills of northeastern British Columbia.



In the West Pembina Nisku reef play, BP holds interests varying from 50 to 100 per cent in 4,285 hectares. The oil discovery reported for 1978 was followed by the discovery of two new pools – 6-3-50-11 W5 (BP 50 per cent), which was completed with 50 metres of net oil pay, and 6-12-50-11 W5 (BP 50 per cent) which was completed with 30 metres of net oil pay. Two development wells, 12-12-50-11 W5 (BP 50 per cent) and 15-27-49-11 W5 (BP 100 per cent), offsetting earlier discoveries, were also successfully completed as oil wells.

In east-central Alberta, the Company participated in 16 wells in the Sibbald and Czar areas. At Sibbald, 12 oil development wells were completed in the Cretaceous glauconitic sand: gas was also found in some of these wells. BP's interest is 20 per cent in one well and 50 per cent in the others. In the Czar area, three development wells were drilled and completed with Cretaceous sand gas pay. BP's interest is 33½ per cent.

In the Hutton area, east of Calgary, six exploratory wells were drilled by others

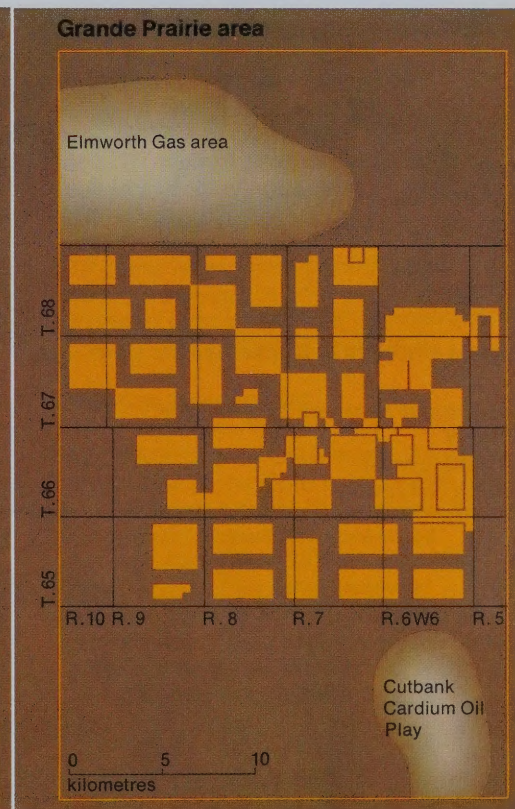
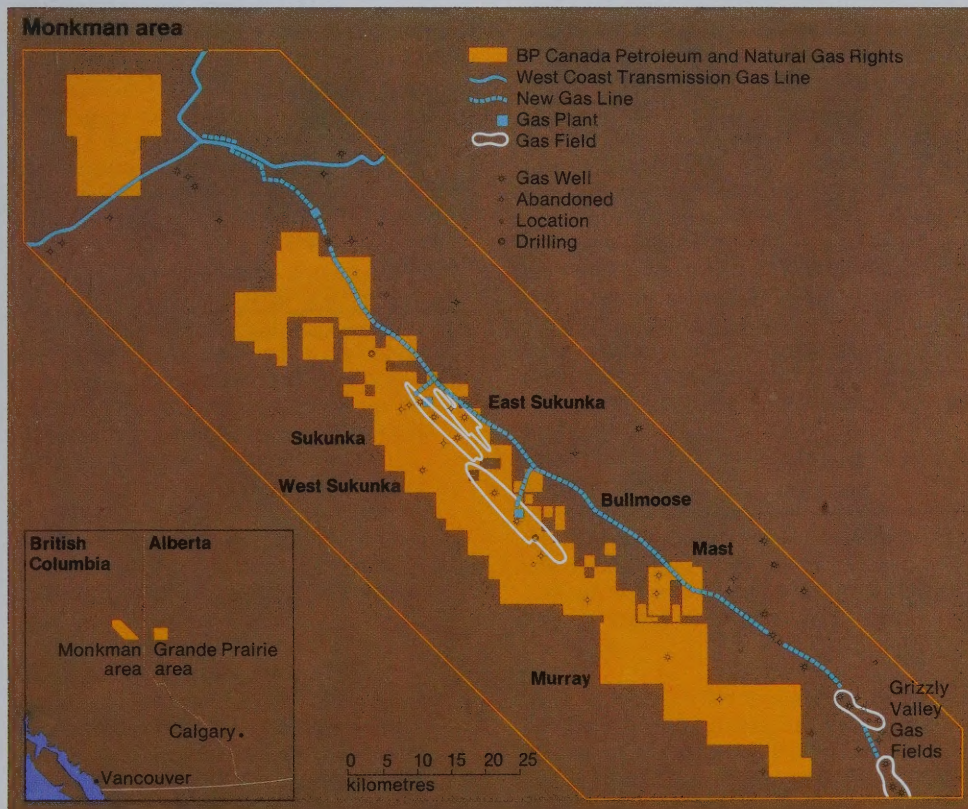
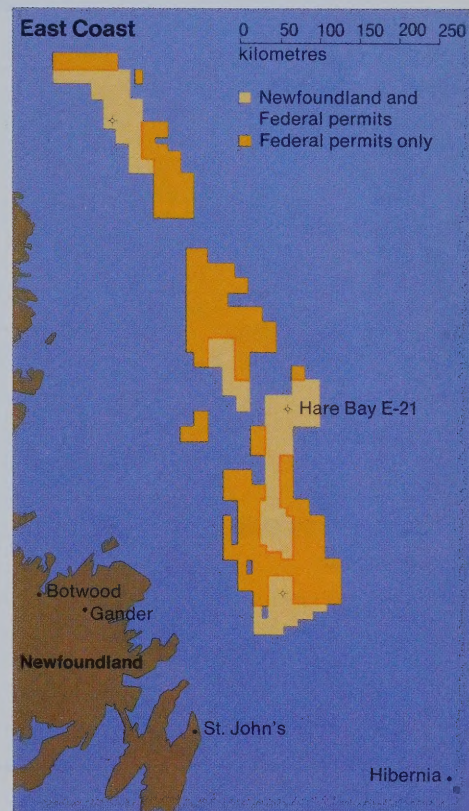
under a farmout agreement. All the wells have gas potential in the Medicine Hat zone and BP has retained its full interest, which varies from 17½ to 25 per cent. Gas was discovered in a deeper zone in one well and Viking oil pay in another. BP retains a 7 per cent interest in all deeper zones.

BP participated in two exploration wells at the Bonanza project in the Peace River area, where the Company has a 50 per cent interest. One well, at 11-7-82-11 W6, was completed as a Boundary Lake oil discovery; the other was abandoned. Development drilling will begin in the spring of 1980.

At Stolberg, in the central Alberta foothills, gas which had been discovered over a 20-year period by BP was awaiting the completion of pipeline facilities in 1980.

### British Columbia

In the Monkman Foothills area of northeastern British Columbia, the Company's Sukunka and Bullmoose gas plants were completed during the late fall. Delay in the commission-





<b>Gross quantities sold – crude oil and natural gas liquids</b>	<b>1979</b> (cubic metres per day)	<b>1978</b> (cubic metres per day)
<b>Alberta</b>		
Redwater	1,013	530
Pembina	514	334
Chauvin	296	308
South Sturgeon	271	245
Swan Hills	228	282
Kaybob South	170	183
Harmattan	99	101
Acheson (Stony Plain)	81	48
Others	416	319
<b>Total Alberta</b>	<b>3,088</b>	<b>2,350</b>
<b>British Columbia</b>		
Beatton River	103	116
Others	8	4
<b>Total British Columbia</b>	<b>111</b>	<b>120</b>
<b>Saskatchewan</b>		
Dollard	172	227
Kenosee	76	89
Weyburn	73	76
Instow	58	74
Steelman	57	60
Others	234	256
<b>Total Saskatchewan</b>	<b>670</b>	<b>782</b>
<b>Total all areas</b>	<b>3,869</b>	<b>3,252</b>

<b>Gross Sales – Natural Gas</b>	<b>1979</b> (thousands of cubic metres per day)	<b>1978</b> (thousands of cubic metres per day)
<b>Alberta</b>		
Edson	740.9	775.1
Southeastern		
Alberta – shallow gas	229.5	210.6
Craigend	165.5	148.5
Atmore	86.4	159.9
Minnehik, Buck Lake	81.1	73.0
Harmattan Elkton	74.2	49.4
Calgary	73.8	68.1
Kaybob South	69.6	40.9
Chauvin	64.1	23.2
Bellis	63.9	56.1
Others	684.6	715.9
<b>Total Alberta</b>	<b>2,333.6</b>	<b>2,320.7</b>
<b>British Columbia</b>	<b>748.3</b>	<b>709.9</b>
<b>Saskatchewan</b>	<b>30.7</b>	<b>55.0</b>
<b>Total all areas</b>	<b>3,112.6</b>	<b>3,085.6</b>

<b>Reserves (gross before royalty)</b>	<b>Oil and natural gas liquids (cubic metres)</b>	<b>Natural gas (million cubic metres)</b>
Proven reserves at December 31, 1978	12,762,500	29,961
<i>Add:</i>		
Discoveries and extensions	809,780	2,120
Net revisions to existing reserves	825,000	66
	1,634,780	2,186
<i>Less:</i>		
Production during 1979	1,412,200	1,136
<b>Proven reserves at December 31, 1979</b>	<b>12,985,080</b>	<b>31,011</b>

*Location of reserves by province:*

Alberta	10,760,030	20,339
Saskatchewan	1,999,990	108
British Columbia	225,060	10,564

<b>Summary of drilling</b>	<b>Oil</b>	<b>Gas</b>	<b>Dry</b>
<b>Exploratory wells</b>			
Working Interest	3	26	12
Farmout			
(interest retained)	1	4	12
<b>Development wells</b>			
Working Interest	59	61	7
Farmout			
(interest retained)	13	29	11

This table excludes 5 water injection wells



Land summary	December 31, 1979		December 31, 1978	
	(gross hectares)	(net hectares)	(gross hectares)	(net hectares)
<b>Petroleum &amp; natural gas acreage</b>				
<b>Leases</b>				
Arctic Islands	75,155	3,018	87,336	3,363
Alberta	1,094,506	457,648	1,043,300	449,235
British Columbia	240,103	109,039	219,062	109,997
Saskatchewan	31,699	10,282	31,699	10,282
Northwest Territories	59,527	6,804	59,527	6,804
	<b>1,500,990</b>	<b>586,791</b>	<b>1,440,924</b>	<b>579,681</b>
<b>Reservations &amp; permits</b>				
Alberta	150,690	45,946	156,033	56,249
British Columbia	323,385	139,322	377,573	149,614
Northwest Territories	143,670	40,723	210,849	102,027
Arctic Islands	2,691,429	299,715	2,691,429	299,715
East Coast	5,444,880	2,435,325	5,444,880	3,247,100
	<b>8,754,054</b>	<b>2,961,031</b>	<b>8,880,764</b>	<b>3,854,705</b>
<b>Major options</b>				
Alberta/British Columbia	34,567	6,763	37,519	10,083
<b>Total petroleum &amp; natural gas acreage</b>	<b>10,289,611</b>	<b>3,554,585</b>	<b>10,359,207</b>	<b>4,444,469</b>
Coal	16,671	15,177	36,623	35,128
Minerals	482,350	325,888	363,008	222,700
Major option – minerals	103,603	103,603	103,603	103,603
<b>Grand total</b>	<b>10,892,235</b>	<b>3,999,253</b>	<b>10,862,441</b>	<b>4,805,900</b>

ing for sour gas service of the Westcoast Transmission facilities postponed gas production from the Company's holdings in this area. Production for testing of the facilities commenced in the first quarter of 1980. The company's contracted sales gas volume from this area is 1.2 million cubic metres per day.

The West Sukunka c-45-J exploratory gas discovery (BP 50 per cent) showed high flow rates on production test – 1,470,000 cubic metres per day of gas from the Upper Triassic carbonates and 54,000 cubic metres per day from the Triassic Halfway formation. The acid gas content in the Upper Triassic of 17 per cent is the lowest found so far in the Monkman area. Negotiations have been completed to bring this gas to market. Early in the year two tests, at Blind Creek and Bullmoose, were drilling.

Elsewhere in northeastern British Columbia, the main exploratory effort was north of Fort Nelson, where BP has varying interests in prospective Devonian reef acreage. At Komie, BP (44 per cent) drilled a Middle Devonian

reef test, but only small gas flows were obtained. The well was suspended for possible later testing and stimulation. In the same general area at Mel, BP (11.7 per cent) participated in another Middle Devonian reef exploratory test. The well established the presence of gas and was completed in early 1980 as a producer. At Gunnel (BP 15 per cent), an Upper Devonian reef exploratory well flowed gas at the rate of 100,000 cubic metres per day. In this general area of northeastern British Columbia, BP is participating in an extensive drilling programme during 1980, involving Middle and Upper Devonian tests.

#### Frontier Areas

Off Newfoundland, the BP et al Hare Bay test was drilled to target depth of 4,874 metres but was abandoned in October, having found no indication of hydrocarbons.

BP's interest in the 5,444,880 hectares off Newfoundland and Labrador now stands at 45 per cent, Petro-Canada having earned a 15 per cent interest by completing its \$13,000,000 commitment.

An expanded seismic programme is planned for these holdings in 1980.

In the offshore area of the Arctic Islands, the Phillips et al Hazen F54 well (BP 6.2 per cent) was abandoned at 3,061 metres after drillstem tests resulted in only minor shows of gas and the recovery of salt water.

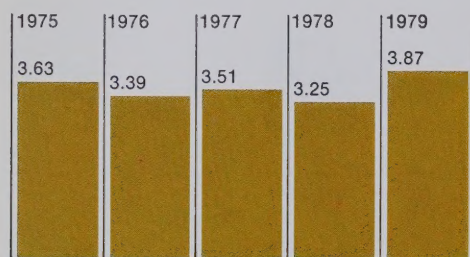
BP plans 20 per cent participation in a well to be drilled in 1980 on the small island of Vesey Hamilton, north of the Drake Point and Hecla gas fields.

#### Non-Conventional Oil

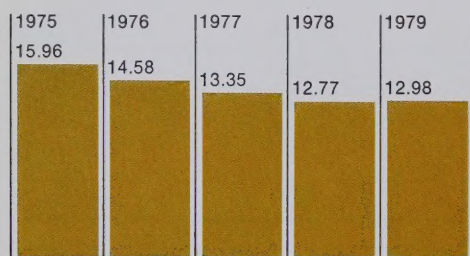
At the Marguerite Lake in-situ oil sands pilot plant, in the Cold Lake region of northeastern Alberta, the cyclic steam production operations continued through 1979. Toward the end of the year, air injection tests began in accordance with the programmed objective of testing a process which combines cyclic steam stimulation with underground combustion.



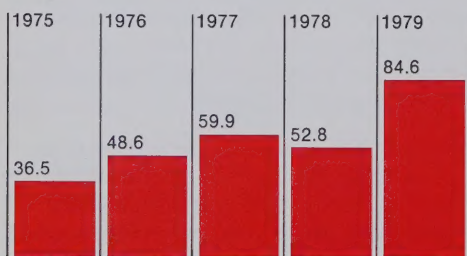
**Gross sales –  
crude oil and gas liquids**  
(thousands of cubic metres per day)



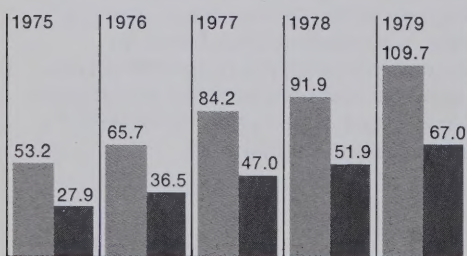
**Gross reserves –  
crude oil and gas liquids**  
(millions of cubic metres)



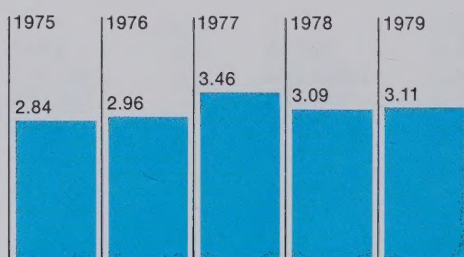
**Expenditures on exploration, research  
and development**  
(millions of dollars)  
*Includes contributions by others to earn  
an interest in Labrador Shelf acreage*



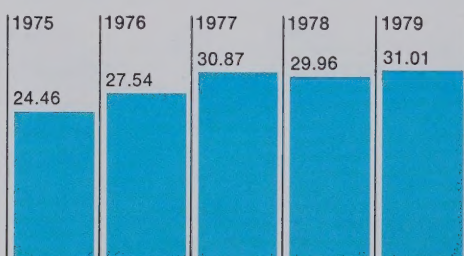
**Net proceeds compared to royalties paid**  
(millions of dollars)  
■ Net proceeds  
■ Royalties paid



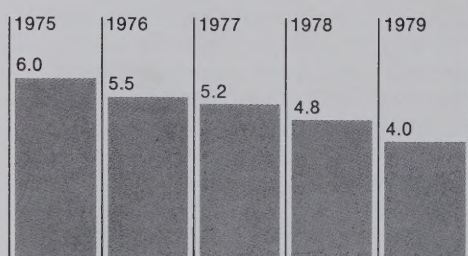
**Gross sales –  
natural gas**  
(millions of cubic metres per day)



**Gross reserves –  
natural gas**  
(billions of cubic metres)



**Net land holdings**  
(millions of hectares)



## Coal

At the Company's Sukunka coal property in northeastern British Columbia, design engineering of surface and underground facilities was virtually completed for the initial (one million tonnes per year) production phase. Agreement was reached with the British Columbia government on the route of the proposed railway line from Chetwynd to the Sukunka mine site and on the principles of its financing. Meanwhile, firm sales commitments are being sought which would enable commercial coal production to begin.

Field exploration continued for both metallurgical and thermal coal in British Columbia and Alberta.

## Minerals

### Uranium

The Company continued field exploration programmes for uranium in the Northwest Territories and in northern Alberta. At Hornby Bay, Northwest Territories, where BP holds varying interests in 296,749 hectares, preliminary drill testing followed ground and airborne geophysical surveys. An expanded drilling programme will be undertaken in 1980.

At Schultz Lake, in the Baker Lake region of the Northwest Territories, preliminary reconnaissance was undertaken in the 116,059 hectare block held 100 per cent by BP. Adjacent to this acreage, another company has announced a uranium discovery.

BP also holds a 50 per cent interest in 11,895 hectares on the western edge of the Athabasca Basin in northern Alberta.

### Base Metals

In base metals exploration, BP took a half share in joint ventures in British Columbia and Manitoba. At Mount Sicker, British Columbia, drill testing began on a massive sulphide prospect; at Sherridon, Manitoba, an airborne geophysical survey defined areas for testing in 1980. Surface exploration began at Almo, British Columbia, on a molybdenum prospect.



# Supply and Refining

Throughout the year there were difficulties in acquiring and delivering sufficient crude oil to meet BP's needs at the two refineries. Mainly as a result of events in Iran, the Company's supplier of offshore crude oil had to reduce deliveries to Montreal Refinery. The resultant shortfall was, for the most part, made good by offshore crude obtained from U.S. refiners in exchange for Canadian crude which could not be delivered directly to Montreal because of capacity limitations in the Interprovincial pipeline system. Pipeline limitations also restricted, from time to time, the amount of domestic crude oil which could be delivered to Trafalgar Refinery.

Demand for products was, nevertheless, met in full with the exception of a short period in October when an unscheduled shutdown of an upgrading plant at Trafalgar Refinery resulted in a temporary shortage of gasoline, which necessitated the closing on three Sundays of a number of company owned and operated service stations.

The price of domestic crude oil rose by \$1.00 per barrel on July 1, 1979 and by the same amount on January 1, 1980,

bringing the wellhead price of Alberta crude oil up to \$14.75 per barrel.

Meanwhile, members of the Organization of Petroleum Exporting Countries (OPEC) further increased their prices. A typical Middle East crude oil which, in early 1979, could be delivered to Eastern Canada for \$18 per barrel, cost \$38 per barrel in early 1980. These prices are for crude oils sold under contract by the governments of producing countries at official selling prices; crude oils sold on the international spot market also increased sharply and in early 1980 were about \$10 per barrel higher than the official government selling prices. Thus, in spite of the increases in the price of domestic crude oil, the gap between its price and the official prices for imported crude oils widened considerably during the year.

The Federal Government continued to compensate importers of crude oil by an amount designed to bring the average cost of imported crude oil down to that of domestic crude oil.

Some 70 per cent of the crude oil processed at Montreal Refinery in 1979 was

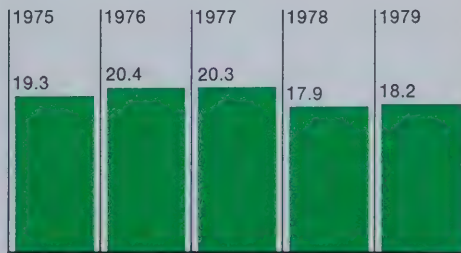
Canadian crude, received through the extension to the Interprovincial pipeline system. The transportation cost between Toronto and Montreal continued to be paid by the Federal Government, thereby effectively equalizing the cost of crude oil in the two centres. The crude oil processed at Montreal and Trafalgar Refineries included 3,700 cubic metres per day from the United States acquired in exchange for Canadian crude oil supplied to U.S. refiners.

Energy consumption at BP's refineries was reduced by a further 3 per cent in 1979, bringing the aggregate reduction since 1973 to 19 per cent. Some \$3 million was spent in 1979 on equipment to further reduce energy use. A new biological treatment plant to improve water effluent quality was installed at Montreal Refinery at a cost of \$4 million and was fully operational by the end of the year.



The control panel of Montreal Refinery's effluent upgrading unit, which was commissioned in 1979. This BP-designed plant features sand filters, and "biofilters" in which bacteria are grown to remove contaminants from the water before returning it to the St. Lawrence River.

**Total crude oil processed**  
(thousands of cubic metres per day)







This Le Frigo convenience store, in the Montreal suburb of Ville LaSalle, was renovated by BP in 1979. It is operated in conjunction with a self-service gasoline outlet.



# Marketing



This newly-developed delivery vehicle for light fuels is known as a "B Train". Designed for improved stability, it features a special coupling between the two trailers.

Despite unusual fluctuations in the supply of refined products, BP succeeded in meeting all its contractual commitments. Overall sales volume in 1979 slightly exceeded that for the previous year.

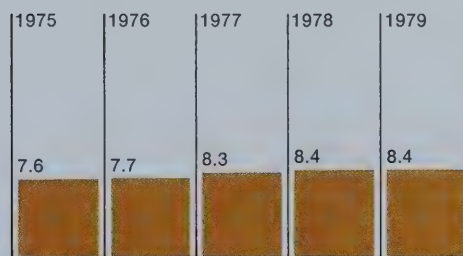
Margins improved sharply for all major products, particularly for retail gasolines and for asphalt, aviation fuels and refinery gases produced at Montreal.

BP obtained from the Standard Oil Company (Sohio), the BP affiliate in the United States, exclusive rights to market the well-known Wm. Penn motor oils in Canada. They are sold through garages and mass merchandising outlets to the fast-growing "take-home" motor oil market.

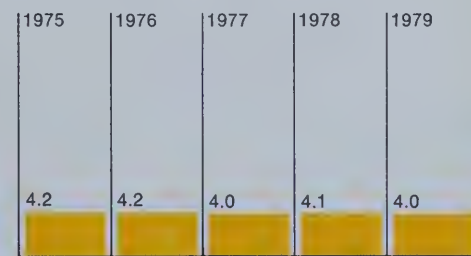
The metrication programme was completed on schedule in 1979, making BP the first major marketing company in the industry to have its marketing department operating entirely in the metric mode.

Continuing emphasis was placed on improving marketing efficiency; increases in distribution costs were kept below the rate of inflation.

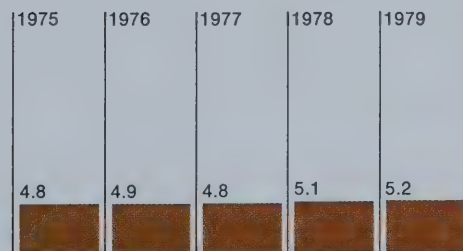
**Sales of gasoline**  
(thousands of cubic metres per day)



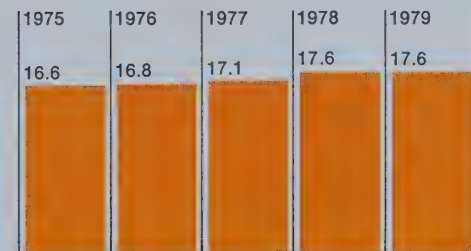
**Sales of middle distillates**  
(thousands of cubic metres per day)



**Sales of other products**  
(thousands of cubic metres per day)



**Total sales of petroleum products**  
(thousands of cubic metres per day)





## Corporate Affairs

The Company's environmental proposals for the Sukunka coal project in north-eastern British Columbia brought it the 1979 Joint Citation of the province's Ministry of Energy, Mines and Petroleum Resources and the Mining Association of British Columbia. The citation describes BP's programme as "the most outstanding on environmental protection and reclamation for a company engaged in coal or mineral exploration".

To coincide with International Energy Conservation Month, the Company

launched in October the BP Canada Energy Research Prize. This competition, which was open to teams or individuals at any Canadian university, is designed to encourage research into energy conservation and the better use of energy resources. Entries were received from all parts of the country and are being judged by a panel named by the Royal Society of Canada. The winning Canadian project will be awarded a grant for further research and will be entered in an international BP competition to be judged in 1982.

Improvements were made to the employees' Dental Insurance Plan and to the Pension Plan which will, respectively, reduce the employees' dental expenses and improve their pensions.

Francization programmes for BP's refining and marketing operations in the Province of Quebec were submitted to l'Office de la langue française, and it is expected that negotiations leading to the issuance of a permanent francization certificate will begin shortly.



Deploying the Vikoma boom, designed by BP for oilspill containment, during an exercise off Botwood, Newfoundland.



# Financial Review

Consolidated net income for 1979 was \$63.1 million, or \$2.97 per common share, an increase of 92.8% from restated 1978 earnings of \$32.7 million.

As indicated in Note 1 to the consolidated financial statements, the Company has in 1979 adopted a successful efforts method of accounting described in the summary of accounting policies. The net after-tax effect of this change was to reduce consolidated net income in 1979 by \$2.6 million.

The consolidated net income represents a rate of return on average capital employed of 13.0% compared to 8.0% in 1978. Revenue from gross sales and services was \$999.4 million, an increase of 18.7% compared to \$842.3 million in 1978.

Expenses rose by 12.1% to \$782.9 million principally as a result of higher

costs of purchased crude oil and the impact of inflation on expenses. Federal sales, excise, municipal and other taxes, royalties and provision for income taxes totalled \$205.6 million, up 17.6% from 1978; included in this figure are provincial royalties of \$61.9 million which increased by 26.9%. Direct taxes on petroleum products collected on behalf of provincial governments amounted to \$151.6 million, an increase of \$11.8 million over 1978.

Capital expenditure in 1979, including exploration expenditures and research costs charged directly to income, was \$98.5 million compared to \$62.9 million in 1978. This expenditure included \$7.3 million in 1979 and \$0.3 million in 1978 expended by others to earn an interest in the Company's acreage on the Labrador Shelf. A breakdown of this expenditure is as follows:

	<b>1979</b> (millions of \$)	<b>1978</b> (millions of \$)
Resource exploration & development	<b>84.6</b>	52.8
Marketing	<b>7.6</b>	7.3
Refining	<b>6.3</b>	2.8
	<b>98.5</b>	62.9

In 1979, repayment of long term debt amounted to \$6.4 million, \$13.7 million was paid in dividends and 2.3 million was applied on other expenditures, including \$1.2 million on redemption of preference shares, and provision for deferred taxes was \$10.1 million.

Funds derived from operations before exploration expenditures and research costs amounted to \$118.6 million, an increase of \$35.0 million from 1978. These funds, together with other cash flow of \$10.6 million, were sufficient to finance net capital expenditure, repayment of long term debt, dividend payments and an increase in net working capital of \$15.5 million.



The following supplementary information relates to the Company's segments:

		1979 (millions of \$)	1978 (millions of \$)
<b>Net sales &amp; services</b>	Exploration & Production	\$110.2	\$ 92.5
	Refining & Marketing	847.9	711.1
		958.1	803.6
	Less:		
	Crude oil sales from own production	68.5	53.8
		\$889.6	\$749.8
<b>Operating profit</b>	Exploration & Production	\$ 57.7	\$ 46.9
	Refining & Marketing	61.8	10.7
		119.5	57.6
	Net corporate financial expense	(.4)	(3.0)
	Elimination of unrealised profit in closing inventories	(5.6)	—
	Income before income taxes	113.5	54.6
	Income taxes	50.4	21.9
<b>Net income for the year</b>		\$ 63.1	\$ 32.7
<b>Depreciation, amortization &amp; depletion</b>	Exploration & Production	\$ 19.0	\$ 18.4
	Refining & Marketing	17.1	18.2
		\$ 36.1	\$ 36.6
<b>Identifiable assets</b>	Exploration & Production	\$226.7	\$175.4
	Refining & Marketing	463.4	408.5
	Coal mining	42.6	35.2
	Corporate	29.4	29.1
		\$762.1	\$648.2

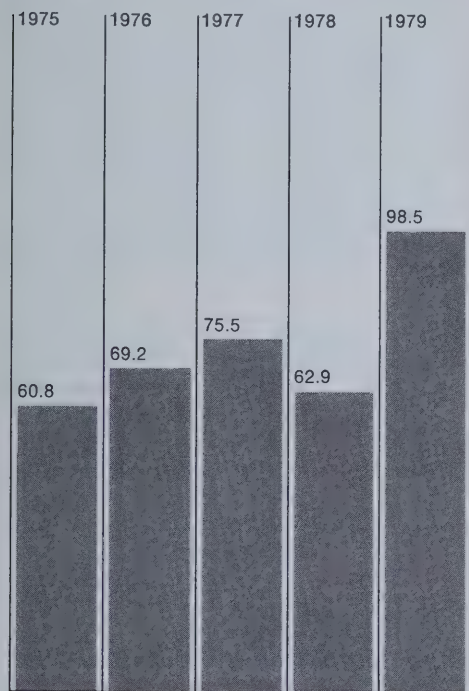
The Consolidated Statement of Income reflects transactions at their historical costs, which in some cases differ significantly from current values. Thus the impact of inflation is not adequately reflected. In Canada, as elsewhere, there have been many attempts to propose a satisfactory method for reporting the major effects of changing prices on the results of operations, culminating at this stage in the issuance in December 1979 by The Canadian Institute of Chartered Accountants of an exposure draft entitled "Current Cost Accounting". However, the application of the proposals of this exposure draft does create special problems for companies in the oil and gas industry and these problems are to be reviewed in the period to June 30, 1980 by a task force established for that purpose.

Consequently the Company considers it premature to anticipate the recommendations of the exposure draft by providing any supplementary information. However, to illustrate the effect of changes in the general purchasing power of money, it is estimated that the consolidated net income restated by applying a single price index to historical cost financial statements would be \$48.0 million, or \$2.26 per share, compared to \$63.1 million, or \$2.97 per share, as reported on the basis of historical cost. Similarly, the return on average capital employed after restatement would be 7.0 per cent, as against 13.0 per cent on an historical cost basis.

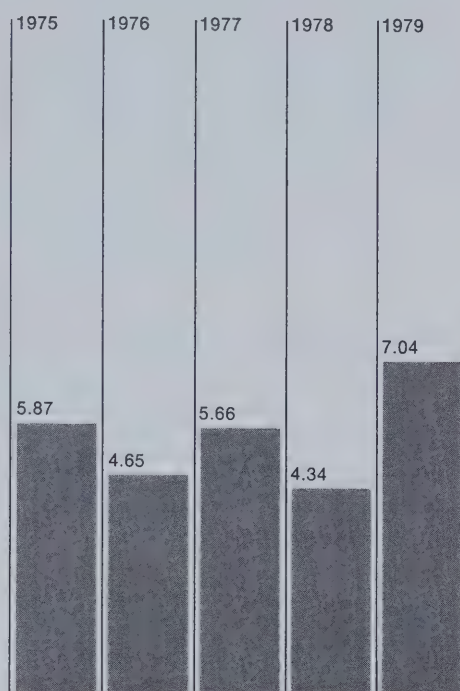


**Expenditures on property, plant and research**

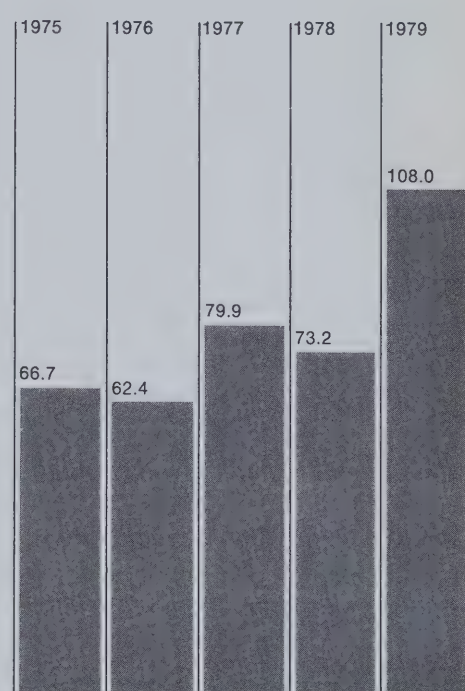
(millions of dollars)

*Includes contributions by others to earn an interest in Labrador Shelf acreage***Net income per dollar of net revenue**

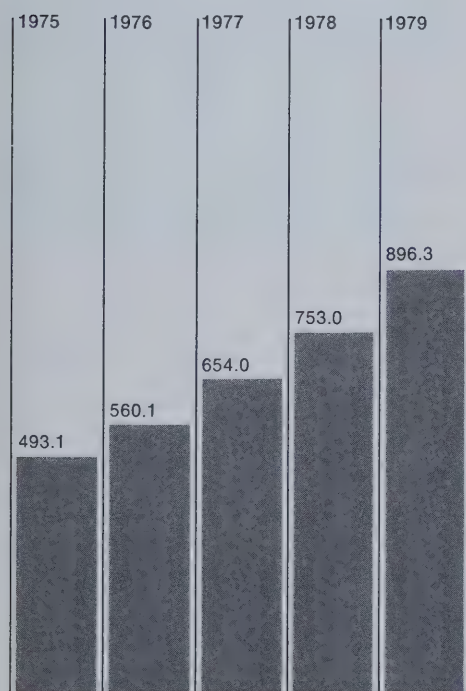
(cents)

**Total funds derived from operations**

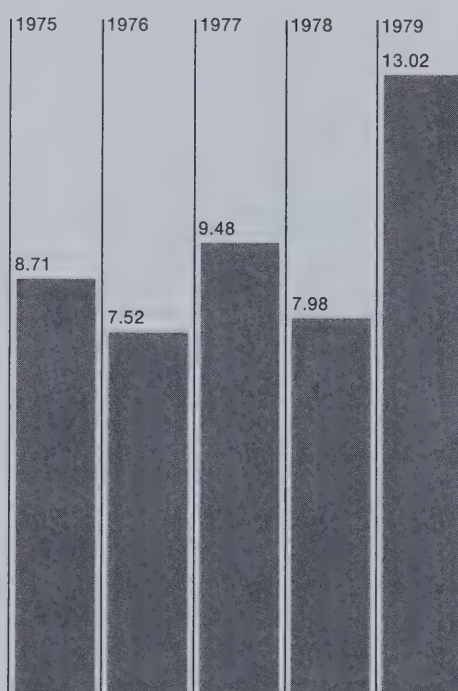
(millions of dollars)

**Net revenue**

(millions of dollars)

**Return on average capital employed**

(%)





# Summary of Accounting Policies

The principal accounting policies of BP Canada Inc. are as follows:

## Investment in subsidiary companies

The consolidated financial statements include the accounts of subsidiary companies, all of which are wholly-owned. When a business is purchased, assets including goodwill and liabilities are recorded at their fair values at the date of acquisition and depreciation, depletion and amortization from that date are based on these values.

## Property, plant and equipment; depreciation, depletion and amortization

### *Marketing, refining and production assets*

Property, plant and equipment includes the cost of land and facilities, assets under capital leases based on the present value of the future net minimum lease payments and of significant improvements thereto. Generally, depreciation and amortization are provided on assets on a straight line basis over their estimated useful lives which are as follows:

	Number of years		
	Refining	Marketing	Production
<i>Owned assets:</i>			
Buildings	30 to 50	10 to 20	
Tanks and pipelines	30	10 to 20	25
Equipment	20	10	4 to 12
Automotive equipment	5	5	5
<i>Assets under capital leases:</i>			
Buildings		10 to 20	
Equipment	5 to 10	5 to 10	
Automotive equipment		5	

## Exploration and development costs

A successful efforts method of accounting is used, whereby the acquisition costs of oil and gas properties, the costs of exploratory wells and the costs of drilling and equipping development wells are capitalized. Acquisition costs are amortized over the period of exploration until such time as they are determined to be productive or judged to be impaired. Exploratory dry hole costs and properties judged to be impaired are charged against income. Un-amortized acquisition costs of productive oil and gas properties and costs of successful exploratory drilling and of drilling and equipping development wells are charged against income on the unit of production method. Other exploration expenditures are charged against income. This policy was introduced in the fourth quarter of 1979 and has been applied retroactively.

Property acquisitions and pre-production costs related to coal mining development are capitalized and are to be amortized at the commencement of commercial production. Coal and mineral exploration costs are charged to income in the year incurred.



### **Inventories**

Inventories of crude oil, refined products and merchandise are valued at the lower of cost (determined on a first-in first-out basis, which for manufactured refined products is based on the average cost of manufacture for the year) and net realizable value.

### **Sales and services**

Sales and fuel taxes collected for the provincial governments have been excluded from sales and services revenue.

The Company purchases large volumes of crude oil from other producers, and sells to other companies in the oil industry whatever of its own net production and purchases is not required for its own refineries. The Company's practice is to apply crude oil sales to reduce crude oil purchases and thus exclude such transactions from both net sales and services and costs. The amount of the market value of the Company's own production of crude oil is included in gross sales and services, and is shown as a deduction in arriving at net sales and services.

### **Income taxes**

The Company provides for income taxes on the tax allocation basis of accounting under which the provision for income taxes is computed on the basis of income reported in the financial statements rather than that reported in the Company's tax returns. Taxes provided on income deferred for tax purposes by claiming deductions greater than the related charges in the accounts are reflected as deferred income taxes in the consolidated balance sheet.

### **Foreign currency translation**

Amounts in currencies other than Canadian dollars have been translated as follows:

Current assets and current liabilities – at the rate of exchange prevailing at the year end; long term debt – at the rate of exchange prevailing at the date the debt was incurred; revenues and expenses – at rates prevailing throughout the year.

Gains and losses resulting from the translation are recognized in the consolidated statement of income.



## Consolidated Statement of Income

for the year ended December 31, 1979

		1979 (thousands of \$)	1978 (thousands of \$)
<b>Revenue</b>			
	Gross sales and services (including crude oil sales from own production)	\$999,380	\$842,291
	Less:		
	Federal sales taxes	(41,272)	(38,710)
	Crude oil sales from own production	(68,529)	(53,766)
	Net sales and services	889,579	749,815
	Income from investments	6,734	3,178
		896,313	752,993
<b>Expenses</b>			
	Purchased crude oil, products and merchandise	559,090	491,362
	Operating and administrative	171,822	154,236
	Depreciation, depletion, amortization and dry hole costs (note 7)	36,065	36,583
	Exploration expenditures and research costs	10,600	10,347
	Interest and discount on long term debt	5,280	5,905
		782,857	698,433
	Income before income taxes	113,456	54,560
	Income taxes (note 8):		
	Current	40,300	16,250
	Deferred	10,100	5,600
		50,400	21,850
<b>Net Income for the year</b>		\$ 63,056	\$ 32,710
<b>Net income per common share (dollars)</b>		\$ 2.97	\$ 1.55

## Consolidated Statement of Retained Earnings

for the year ended December 31, 1979

		1979 (thousands of \$)	1978 (thousands of \$)
<b>Balance, beginning of the year</b>	As previously reported	\$205,337	\$178,671
	Deduct –		
	Cumulative effect of accounting change (note 1)	33,023	28,472
	As restated	172,314	150,199
<b>Net income for the year</b>		63,056	32,710
		235,370	182,909
<b>Dividends:</b>			
	Common shares	13,820	10,537
	Preference shares	11	58
		13,831	10,595
<b>Balance, end of the year</b>		\$221,539	\$172,314

See accompanying notes and summary of accounting policies



# Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1979

		1979 (thousands of \$)	1978 (thousands of \$)
<b>Funds derived from</b>	Net income for the year	\$ 63,056	\$ 32,710
	Add (deduct) items not resulting in a flow of funds in the current year:		
	Depreciation, depletion, amortization and dry hole costs	36,065	36,583
	Deferred income taxes	10,100	5,600
	Profit on redemption of long term debt	(184)	(752)
	Other	(1,035)	(925)
	Total funds derived from operations	108,002	73,216
	Add exploration expenditures and research costs	10,600	10,347
	Funds from operations before exploration expenditures and research costs	118,602	83,563
	Proceeds on sale of property, plant and equipment	3,691	3,519
	Long term borrowing	4,938	5,068
	Issues of common shares	1,921	1,279
		129,152	93,429
<b>Funds applied to</b>	Expenditures for property, plant and equipment	87,923	52,510
	Exploration expenditures and research costs charged directly to income	10,600	10,347
		98,523	62,857
	Less: contributed by others (note 2)	(7,262)	(266)
		91,261	62,591
	Repayments of long term debt	6,428	10,116
	Cash dividends	13,698	10,595
	Redemption of preference shares	1,175	33
	Other	1,090	842
		113,652	84,177
<b>Increase in working capital</b>		15,500	9,252
<b>Working capital, beginning of the year</b>		113,862	104,610
<b>Working capital, end of the year</b>		\$129,362	\$113,862

See accompanying notes and summary of accounting policies



# Consolidated Balance Sheet

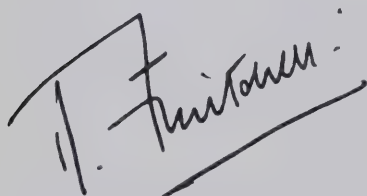
December 31, 1979

BP Canada Inc.  
(Continued under the Canada Business Corporations Act)

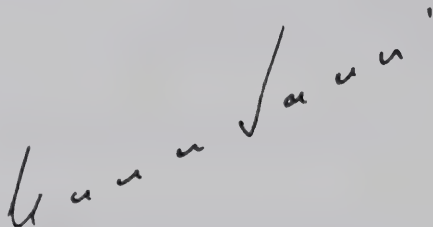
## Assets

		1979 (thousands of \$)	1978 (thousands of \$)
<b>Current</b>			
	Cash and short term investments, at cost which approximates market	\$ 25,420	\$ 25,175
	Accounts receivable	169,775	126,313
	Inventories	143,239	115,843
	Prepaid expenses and deposits	3,161	3,463
	<b>Total current assets</b>	<b>341,595</b>	<b>270,794</b>
<b>Investments and advances</b>			
	Investments in other companies, at cost	3,310	3,310
	Mortgages, loans and other assets	6,377	5,512
	<b>Total investments and advances</b>	<b>9,687</b>	<b>8,822</b>
<b>Property, plant and equipment</b>			
	at cost less accumulated depreciation, depletion and amortization (note 2)	410,777	368,578
		<b>\$762,059</b>	<b>\$648,194</b>

On behalf of the board:



D.F. Mitchell, Director



M. Sauvé, Director

See accompanying notes and summary of accounting policies



**Liabilities and Shareholders' Equity**

		1979	1978
		(thousands of \$)	(thousands of \$)
<b>Current</b>	Accounts payable and accrued liabilities (note 5)	\$168,007	\$127,370
	Income and other taxes payable	42,013	23,318
	Current maturities of long term debt	2,213	6,244
	Total current liabilities	212,233	156,932
<b>Long term debt</b> (note 4)		68,115	69,789
<b>Deferred income taxes</b>		72,800	62,700
<b>Shareholders' equity</b>	Share capital (note 6)	187,372	186,459
	Retained earnings	221,539	172,314
		408,911	358,773
		\$762,059	\$648,194

See accompanying notes and summary of accounting policies



# Notes to Consolidated Financial Statements

BP Canada Inc.

December 31, 1979

## 1. Accounting change

At year-end 1979 the Company made a retroactive change in accounting for its exploration and development costs by adopting a successful efforts method of accounting described in the summary of accounting policies. Previously the Company had followed the full cost method of accounting. As a result of this change consolidated retained

earnings at January 1, 1979 were decreased by \$33,023,000; property, plant and equipment and deferred income taxes were reduced by \$58,824,000 and \$26,300,000 respectively. This change decreased consolidated net income for the year ended December 31, 1978 by \$4,551,000 and for the 1979 year by \$2,630,000.

## 2. Property, plant and equipment

	1979		1978	
	Investment at cost	Accumulated depreciation, depletion and amortization	Net investment	Net investment
	(thousands of \$)	(thousands of \$)	(thousands of \$)	(thousands of \$)
Exploration and production	\$329,096	\$145,011 *	\$184,085	\$143,782
Refining	187,921	97,420	90,501	90,947
Marketing	167,533	77,652	89,881	94,509
Coal mining	42,629	—	42,629	35,222
Assets under capital leases	10,844	7,163	3,681	4,118
	<b>\$738,023</b>	<b>\$327,246</b>	<b>\$410,777</b>	<b>\$368,578</b>

\*Includes depletion of \$107,485,000

Contributions by others for an exploration programme on the Company's acreage off the coast of Newfoundland and Labrador have amounted to \$38,000,000 of which \$7,262,000 was

contributed in 1979 and \$266,000 in 1978. These contributions have been made to earn 55% of the Company's interest in that acreage.

## 3. Coal interests – northeastern British Columbia

In 1977 the Company acquired interests in certain coal licences in northeastern British Columbia for a purchase price of \$30,000,000, of which \$5,000,000 is payable conditional upon completion of certain railroad and port facilities to be installed by other parties. The Company also has entered into an agreement with BP Canadian Holdings Limited, which owns 64.7% of the issued common shares of the Company, under which BP Canadian Holdings Limited was assigned a 50% working interest in the Company's interest in the property, and undertook to pay one-half of the acquisition and development costs. Under this agreement, the Company will initially contribute 100% of such costs until one-half of the estimated total costs has been incurred, thereafter, BP Canadian Holdings Limited will pay 100% of the costs until they have paid 50% of the total costs of the project.

During 1979, the Company expended \$7,407,000 on exploration, site operations, marketing, engineering, studies relating to the development of the property and on administrative costs. Engineering design of the facilities is close to completion and if long term markets are obtained in the immediate future for a major portion of the planned output, construction of the project could start in midyear 1980 with initial production scheduled for late 1982. On this schedule, production would reach 1 million tonnes per annum of sales coal in 1984 at a total estimated further capital cost of \$122,000,000. If construction commences this year, it is estimated that the expenditures by the Company in 1980 will be approximately \$24,000,000.



**4. Long term debt**

	1979 (thousands of \$)	1978 (thousands of \$)
<i>BP Canada Inc.</i>		
6% Sterling loan maturing in 1983 (\$3,569,000 at 1979 year-end exchange rate)	\$ 3,412	\$ 4,387
7¼ % U.S. dollar Series A debentures, maturing February 15, 1993 (\$23,333,000 at 1979 year-end exchange rate)	19,915	21,906
8¼ % Series B debentures, maturing February 15, 1993	19,040	19,440
<i>Subsidiary of BP Canada Inc.</i>		
BP Oil Limited –		
5½ % first mortgage sinking fund bonds Series A	—	4,042
5¾ % sinking fund debentures Series A, maturing October 1, 1986	15,342	17,242
Obligations under capital leases	4,086	4,653
Mortgage loans payable	435	278
<i>Subsidiary of BP Oil Limited</i>		
BP Exploration Canada Limited –		
Gas supply contract advances	8,098	4,085
	70,328	76,033
Less current maturities included in current liabilities	2,213	6,244
	<b>\$ 68,115</b>	<b>\$69,789</b>
Total future minimum lease payments under capital leases extending over various periods to 1997 amount to \$5,554,000 of which \$1,468,000 represents interest at rates ranging from 6% to 12.75% on incremental borrowing.		
Repayment and sinking fund requirements, excluding obligations under capital leases, during the four years subsequent to December 31, 1980 are as follows:		
1981 – \$1,218,000		
1982 – \$4,125,000		
1983 – \$4,528,000		
1984 – \$3,996,000		
Total future minimum lease payments under operating leases amount to approximately \$21,552,000 which is payable as follows:		
1980 – \$3,172,000		
1981 – \$2,969,000		
1982 – \$2,599,000		
1983 – \$2,109,000		
1984 – \$1,956,000		
Thereafter – \$8,747,000		

**5. Accounts payable and accrued liabilities**

	1979 (thousands of \$)	1978 (thousands of \$)
Accounts payable and accrued liabilities	\$152,539	\$124,610
Due to affiliated companies for purchases of crude and product	11,342	—
Dividends payable:		
Parent company	2,755	1,790
Others	1,371	970
	<b>\$168,007</b>	<b>\$127,370</b>

**6. Share capital**

			<b>1979</b> (thousands of \$)	<b>1978</b> (thousands of \$)
Authorized	—	5% cumulative redeemable sinking fund preference shares of \$100 par value each redeemable for \$103 or at par for sinking fund purposes (11,410 in 1978)		
	30,000,000	common shares without nominal or par value		
Issued	—	5% cumulative redeemable sinking fund preference shares (11,410 in 1978)	\$ —	\$ 1,141
	21,296,922.8	common shares (21,127,523.8 in 1978)	<b>187,372</b>	<b>185,318</b>
			<b>\$187,372</b>	<b>\$186,459</b>

On March 26, 1979 11,410 preference shares were redeemed for cash and on April 27, 1979 the Company was continued under the Canada Business Corporations Act. Upon continuance, the authorized share capital of the Company became 30,000,000 common shares without nominal or par value (previously without par value).

During 1979, 3,399 common shares were issued pursuant to the Company's stock dividend option.

At December 31, 1979 options were outstanding to officers and employees to purchase 29,500 common shares at a price of \$11.47½ exercisable to June 9, 1980 and to purchase 38,000 common shares at a price of \$13.05 exercisable annually to June 19, 1983. During the year options on 166,000 shares were exercised.

**7. Depreciation, depletion, amortization and dry hole costs**

	<b>1979</b> (thousands of \$)	<b>1978</b> (thousands of \$)
Depreciation	<b>\$19,808</b>	\$20,158
Depletion	<b>6,857</b>	5,329
Amortization:		
Assets under capital leases	<b>1,110</b>	1,239
Exploration properties	<b>2,812</b>	2,874
Dry hole costs	<b>5,478</b>	6,983
	<b>\$36,065</b>	<b>\$36,583</b>



**8. Income taxes**

Deferred income taxes result from timing differences in recognition of income and expenses for income tax and

financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1979 (thousands of \$)	1978 (thousands of \$)
Capital cost allowance claimed for income tax purposes in excess of depreciation and amortization	\$ 4,110	\$ 2,156
Exploration and development expenditures claimed for income tax purposes in excess of depletion	11,751	6,730
Other	(5,761)	(3,286)
	<b>\$10,100</b>	<b>\$ 5,600</b>

Total income tax expense was \$50,400,000 in 1979 and \$21,850,000 in 1978, effective rates of 44% and 40% on income before income taxes respectively. Such income tax expense

varies from the amounts that would be computed by applying the Canadian federal and provincial income tax rate of 47% to income before income taxes for the following reasons:

	1979 (thousands of \$)	1979 (% of pretax income)	1978 (thousands of \$)	1978 (% of pretax income)
Computed income tax expense	\$53,812	47	\$25,876	47
<i>Increase (decrease) in income taxes resulting from:</i>				
Non-deductible royalties, mineral taxes and other expense, less federal resource allowance and provincial rebates	7,226	6	5,001	9
Depletion allowance earned by exploration and development expenditures	(8,155)	(7)	(6,715)	(12)
Inventory allowance	(1,653)	(1)	(1,637)	(3)
Other	(830)	(1)	(675)	(1)
Income tax expense	<b>\$50,400</b>	<b>44</b>	<b>\$21,850</b>	<b>40</b>

**9. Pension plans**

Based on the latest actuarial valuation of the pension plans as at December 31, 1978 all liabilities were fully funded.

**10. Other information**

The principal operating subsidiaries of the Company are BP Oil Limited and BP Exploration Canada Limited.

**11. Statement presentation**

The 1978 comparative figures have been restated to conform to the presentation adopted in the current year.

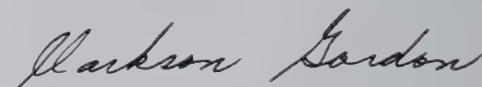
# Auditors' Report

To the Shareholders of BP Canada Inc.

We have examined the consolidated balance sheet of BP Canada Inc. as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Montreal, Canada,  
February 29, 1980.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change to a successful efforts method of accounting for exploration and development costs as described in note 1.



Chartered Accountants



## Five year operating summary

	1979	1978	1977	1976	1975
	(thousands of cubic metres per calendar day unless otherwise stated)				
Refined product sales	17.6	17.6	17.1	16.8	16.6
Crude oil processed at refineries	18.2	17.9	20.3	20.4	19.3
Gross sales of crude oil and natural gas liquids	3.9	3.3	3.5	3.4	3.6
Gross sales of natural gas (million cubic metres per day)	3.1	3.1	3.5	3.0	2.8

## Five year financial summary

	1979	1978	1977	1976	1975
	(thousands of \$ except per share amounts)				
<b>Balance sheet</b>					
Current assets	\$341,595	\$270,794	\$245,896	\$210,411	\$210,245
Current liabilities	212,233	156,932	141,286	106,714	102,875
Working capital	129,362	113,862	104,610	103,697	107,370
Investments and advances	9,687	8,822	8,428	9,980	10,584
Property, plant and equipment – net	410,777	368,578	355,079	321,148	301,008
Capital employed	549,826	491,262	468,117	434,825	418,962
Deduct: Long term debt	68,115	69,789	75,588	81,951	88,594
Deferred income taxes	72,800	62,700	57,100	45,000	39,700
Shareholders' equity	408,911	358,773	335,429	307,874	290,668
Per common share	\$ 19.20	\$ 16.98	\$ 15.96	\$ 14.65	\$ 13.83
<b>Income</b>					
Net revenue	896,313	752,993	653,974	560,062	493,149
Expenses	782,857	698,433	587,334	513,616	442,409
Income before income taxes	113,456	54,560	66,640	46,446	50,740
Income taxes	50,400	21,850	29,600	20,400	21,800
Net income for the year	\$ 63,056	\$ 32,710	\$ 37,040	\$ 26,046	\$ 28,940
<b>Total funds derived from operations</b>	<b>\$108,002</b>	<b>\$ 73,216</b>	<b>\$ 79,896</b>	<b>\$ 62,383</b>	<b>\$ 66,677</b>
<b>Per common share</b>					
Net income for the year	\$ 2.97	\$ 1.55	\$ 1.76	\$ 1.24	\$ 1.37
Dividends paid	\$ .58	\$ .49	\$ .44	\$ .40	\$ .38

## Board of Directors

*R.W. Adam* – London, England  
A Managing Director,  
The British Petroleum Company Limited

*Sir Eric Drake, C.B.E.* – London, England

*P.J. Gillam* – London, England  
Director,  
BP Trading Limited

*R.W.D. Hanbidge* – Montreal  
President and Chief Operating Officer,  
BP Canada Inc.

*F.A. McKinnon, D.U.C.* – Calgary

*D.F. Mitchell* – Montreal  
Chairman and Chief Executive Officer,  
BP Canada Inc.

*M.M. Pennell, C.B.E.* – London, England  
Deputy Chairman and a Managing  
Director,  
The British Petroleum Company Limited  
(retired December 31, 1979)

*Charles Perrault* – Montreal  
President,  
Perconsult Limited

*The Hon. M. Sauvé, P.C.* – Montreal  
Executive Vice-President,  
Administrative and Public Affairs,  
Consolidated-Bathurst Inc.

*Donald C. Smith* – Montreal  
Vice-President, Finance, and Treasurer,  
BP Canada Inc.

*G. Meredith Smith* – Ottawa

*P.N.T. Widdrington* – London, Ontario  
President and Chief Executive Officer,  
John Labatt Limited

## Officers

*D.F. Mitchell*  
Chairman and Chief Executive Officer

*R.W.D. Hanbidge*  
President and Chief Operating Officer

*J.A. Barclay*  
Vice-President, Supply and Refining

*E.W. Best*  
Vice-President,  
Exploration and Production

*D.A. Deverell*  
Vice-President, Marketing

*J. Langelier, Q.C.*  
Vice-President, General Counsel,  
and Secretary

*Donald C. Smith*  
Vice-President, Finance and Treasurer

*K. Healy*  
Assistant Secretary

*J.I. Rawlinson*  
Assistant Secretary

*W.A. Melrose*  
Assistant Treasurer

*F.D. Pynn*  
Assistant Treasurer

## Transfer Agent and Registrar

The Canada Trust Company  
Montreal, Toronto, Calgary, Vancouver

## Stock Exchange Listings

Montreal, Toronto, Vancouver

## Registered Head Office

First Canadian Place  
Toronto, Ontario

## Executive Office

1245 Sherbrooke Street West  
Montreal, Quebec

## BP House, Calgary

333 – 5th Avenue S.W.  
Calgary, Alberta

## BP Minerals

1199 Pender Street West  
Vancouver, British Columbia

25 Adelaide Street East  
Toronto, Ontario

## BP House, Don Mills

240 Duncan Mill Road  
Don Mills, Ontario

## Refineries

Montreal Refinery  
Ville d'Anjou, Quebec

Trafalgar Refinery  
Oakville, Ontario

## Sales Offices

Province of Quebec:  
Montreal  
Quebec City  
Sherbrooke

Province of Ontario:  
Barrie  
Burlington  
Cambridge  
Chatham  
London  
Markham  
North Bay  
Ottawa  
Toronto



# Metric Measurements

Since Parliament's endorsement in 1970 of the White Paper on Metric Conversion, government and industry have moved steadily towards the full employment of the Système International (SI).

In 1979, the petroleum industry began to express its measurements in the metric mode. For example, land holdings are now measured in hectares rather than acres, and production of crude oil in cubic metres rather than barrels. This annual report is, therefore, BP's first to record operating statistics in metric terms.

The following table of equivalents for the metric terms found in these pages, and rule-of-thumb approximations, are designed to help readers make comparisons with the more familiar units used previously.

To convert from	to	Multiply by
Litres	Gallons	0.22
Cubic metres	Barrels	6.29
Cubic metres	Cubic feet	35.32
Metres	Feet	3.28
Kilometres	Miles	0.62
Tonnes	Long tons	1.02
Hectares	Acres	2.47

## For quick reference

- A 100-litre gasoline tank holds exactly 22 Canadian gallons.
- A 1,000-metre well is not quite 3,300 feet deep.
- Production of 1,000 cubic metres of oil per day is equal to almost 6,300 barrels per day; production of 1,000 cubic metres of gas per day is equal to slightly more than 35,000 cubic feet per day.
- A 3-kilometre step-out well is just over 2 miles from the original well.
- Land interests in 10,000 hectares cover an area of nearly 25,000 acres.



